

**OFFICE OF THE COMPTROLLER/OPERATIONAL SERVICES DIVISION
FISCAL AND PROCUREMENT POLICY FOR COMMONWEALTH CONTRACTS
AND GRANTS**

(Excluding Construction Contracts and Space Leases)

LEVEL III - Executive Branch, Executive Departments (Page 1 of 4)

COVERED DEPARTMENTS (BY [MMARS](#) DEPARTMENT CODE): AAB, ABC, ADD, AGR, ALA, ANF, ATB, BBR, BCA, BGT, BLC, BSB, CAD, CCJ, CDA, CHE, CHS, CJT, CME, CSC, DCP, DEM, DES, DFS, DIA, DMA, DMH, DMR, DOB, DOC, DOE, DOI, DOR, DOS, DPH, DPS, DPU, DPW, DSS, DYS, EHS, ELD, ENE, ENV, EOL, EPS, EQA, EQE, FWE, GIC, HCF, HLY, HRD, HSB, ITD, JLM, LIB, LLW, LRC, MAC, MCB, MCD, MDC, MED, MRB, MRC, OCD, OFC, OHA, ORI, OSC, OSD, PAR, PER, POL, REG, RGT, RMV, SCA, SEA, SOR, SRB, SRC, TRB, TRP, VET, WEL

STATE FINANCE LAW

1. *Payment Review And Certification; No Journal Entries (EXs) Without LEG Notice.* Comptroller examines all accounts and demands for payment for all Commonwealth accounts and funds unless specifically exempted. Comptroller requires affidavit from Department head, or designee, that articles furnished, services rendered or obligation incurred, as certified. Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. See [G.L. c. 7A, §3](#), and [G.L. c. 29, §61](#).
2. *Contract Filing; Bill Paying Policy.* Requires that all departments file original or certified copies of contracts as directed by the Comptroller prior to payment. Comptroller shall establish a vendor payment schedule ([Bill Paying Policy](#)). See [G.L. c. 7A, §5](#).
3. *Late Penalty Interest.* Contractors may request interest if payments are not made in 45 days in accordance with Late Penalty Interest Regulations 815 CMR 4.00. See [G.L. c. 7A, §5A](#). Commercial contractors may invoice for interest if they were not paid within 45 days. See [G.L. c. 29, §20C](#). Departments paying bills late, are subject to late penalty interest in accordance with 815 CMR 4.00. Departments must reject unacceptable invoices within 15 days of receipt and give notice of defect to contractor. Late penalty interest must be paid from the same funds used for the expenditure, which was paid late. See [G.L. c. 29, §29C](#).
1. **Consultant Contracts.** Requires statements of persons having financial interests for all Consultant (HH subsidiary and N01 – N14) service contracts. See [G.L. c. 7A, §6](#). See also [G.L. c. 29, §29A](#) which requires:
 - a) **a Request for need for service: (SR) Service Request Form;**
 - b) **a scope and duration of work;**
 - c) **a written contract (Commonwealth Terms and Conditions and Commonwealth Standard Contract Form and Instructions);**
 - d) **a Resume;**
 - e) **a Disclosure of any other Commonwealth income;**
 - f) **a Disclosure of Financial Interest; and**
 - g) **that Consultants may not supervise state employees and may not substitute for state positions.**
2. *State Accounting System and Accounting Practices Implemented by Comptroller.* The Comptroller shall implement a state accounting system and issue instructions for the accounting practices to be used by all departments for all assets, liabilities, equity, debt, encumbrances, expenditures, revenues, and expenses of all Commonwealth funds, unless otherwise specified. See [G.L. c. 7A, §7](#).
3. *Uniform Accounting System for Commonwealth.* The Comptroller shall prescribe a uniform system of accounting to record the expenditure by subsidiary for supplies, materials and fixed assets. This shall govern all commonwealth funds and accounts unless specifically exempted by general or special law. See [G.L. c. 7A, §8](#).
4. *Comptroller Access To Records To Enable Proper Accounting.* The Comptroller shall account for all revenue, expenses, debts and obligations due to and from the Commonwealth and shall have access to the books and papers of all departments unless specifically exempted by general or special law. See [G.L. c. 7A, §9](#).

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STATE FINANCE LAW (Continued)

5. *Internal Control Guidelines.* The Comptroller shall publish internal control guidelines in consultation with SAO. See [G.L. c. 7A, §9A](#).
6. *Federal Grants.* This section describes the Federal Grant application and administration process. Specifically, Federal Grants are subject to annual appropriation and governed by CMIA and are assessed fringe benefits and indirect costs. See [G.L. c. 29, §6B](#).
7. *Insufficient Appropriations for Required Expenditures.* Departments must do everything legally allowed to manage within their appropriation. Departments must immediately notify ANF and HOU and SEN Ways and Means of the estimated amount of anticipated deficiency in any appropriation. In accordance with other sections of Chapter 29 departments may not incur a liability for the Commonwealth in excess of their appropriation or allotment. See [G.L. c. 29, §9E](#).
8. *Obligation Authorization Limited by Fiscal Year; Interim Budgets and Accounts Payable.* GAA appropriations shall be for ordinary maintenance for the fiscal year unless otherwise authorized. See [G.L. c.29, §12](#). This means goods and services to be paid for with current fiscal year appropriations must be received and accepted within the fiscal year (July 1-June 30) (see [G.L. c. 4, §7, Ninth](#)). Lawful obligations that do not exceed department's 1/12th allotment may be made between July 1 and passage of GAA if there is an interim budget. No commodities or services may be accepted for new fiscal year and no funds may be expended without an Interim Budget or GAA. See [G.L. c. 29, §12A](#). Accounts payable period to pay encumbrances for fiscal year ending on June 30th runs from July 1st through the end of August. FAD may extend the accounts payable period to pay encumbrances until September 15th with special request from department. Unencumbered balances revert on or before September 15th. See [G.L. c.29, §13](#).
9. *Payments Require Current Appropriation, CTR Certification and Approved Warrant.* No payments shall be made without current appropriation, Comptroller certification and approved Governor's warrant. See [G.L. c. 29, §18](#).
10. *Authorization to Contract; Approval of Expenditures.* Department must be authorized to enter into contracts in order to make payments against contracts. Departments must approve itemized expenditures. See [G.L. c. 29, §19](#).
11. *Department Approval of Expenditures With Sufficient Allotments.* Department head or designee must contract for expenditures and approve expenditures before Comptroller certification. Department head or designee may only approve payments with sufficient allotments. See [G.L. c. 29, §20](#).
12. *Ready Payment System.* The Comptroller shall provide a Ready Payment Program for providers of social, educational and rehabilitative services based on projected expenses or services pursuant to 815 CMR 3.00. See [G.L. c. 29, §23A](#).
13. *Obligations May Not Exceed Appropriation.* Departments may not incur a liability for the Commonwealth in excess of their appropriation or allotment. This means that a department cannot sign a contract or amendment or accept services or commodities in excess of current appropriations and allotments. Current fiscal year funds may not be used for prior fiscal year obligations. [G.L. c. 29, §26](#). Appropriations and allotments must be spent in accordance with prescribed subsidiary schedules. [G.L. c. 29, §27](#). "The Comptroller shall refuse to permit a disbursement or incurring of an obligation if funds, or allotments of funds, under an appropriation account or subsidiary account under an appropriation account, sufficient to cover such disbursement or obligation are not available and shall immediately give notice of such refusal to the department, office, commission, or institution proposing the expenditure". See [G.L. c. 29, §29](#).
14. *Violation of State Finance Law.* Any Department head or designee who knowingly violates state finance law shall be punished by fine of \$1,000 or imprisonment for one year, or both. See [G.L. c.29,§66](#).

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STATE FINANCE LAW (Continued)

15. *Approval of Information Technology Purchases.* Department heads (except AGO, SAO, SEC and TRE) may not obligate funds for lease *or* purchase of data processing *or* reproduction equipment/systems without specifically identifying their intent in the spending plan approved by Fiscal Affairs Division, and/or ANF. See [G.L. c.29, §27B](#).
16. **Human and Social Service Contracts.** [G.L.c. 29, §29B](#) requires that for social, rehabilitative, health *or* special education service contracts with organizations, Departments must file:
 - a) Request for need for service: (SR) Service Request Form;
 - b) No payments may be made prior to Secretariat approval of contract, unless there is an approval by ANF. (ANF delegated this approval to Secretariats and Department Heads pursuant to a memorandum dated April 18th, 1997, titled *Delegation of Retroactive Start Date Approval to Departments*);
 - c) Contractor/Provider may not supervise state employees;
 - d) Contracts must be used solely for provisions of human services and not other department need *or* purpose.

PROCUREMENT LAW

[G.L. c. 30, s. 51](#); [G.L. c. 30, s. 52](#) which state that all services and commodities shall be purchased in accordance with [G.L. c. 7, s. 22](#) which outlines the procurement requirements for supplies, equipment and other property of Commonwealth departments. **All Executive Departments are required to purchase goods and services in accordance with [801 CMR 21.00](#) and the [Commonwealth Procurement Policies and Procedures Handbook](#)**

POLICY (Required)

1. Comptroller Regulations: 815 CMR 1.00-9.00
2. 801 CMR 21.00
3. 808 CMR 1.00
4. [Expenditure Classification Handbook](#)
5. [Comptroller Internal Control Guidelines](#)
6. [Comptroller Policy/MMARS Memos](#)
7. [Comptroller Fiscal Year Memos](#)
8. [Fiscal Year Closing and Opening Instructions](#)
9. [Fixed Asset Subsystem User Guide](#); [Guidance on Non-GAPP Fixed Asset Management](#)
10. [Records Management Policy for Archiving Documents](#)
11. **[Commonwealth Procurement Policies and Procedures Handbook](#)**
12. **[Tax Exempt Lease Purchase \(TELP\) Rules](#)**
13. **OSD Updates, as applicable**

CONTRACT REQUIREMENTS (Required)

1. *Contract Filing.* All contracts must be filed as directed by the Comptroller prior to payment.
2. *Contract Signed/Dated by Authorized Signatories.* Contract must have live signature and date by an authorized signatory of the department and the contractor.
3. *Detailed Description of Performance.* Scope of performance detailed enough to identify appropriate classification of expenditure and proper state accounting system (MMARS) transaction type.
4. *Compensation Identified and Fully Encumbered.* Each contract must have a maximum obligation or specified rates and the full encumbrance for value of contract must be reflected in the state accounting system (MMARS).
5. *Dates in Contract and Encumbrance Match.* Contract effective start date and termination end date must be reflected in the encumbrance transaction in the state accounting system (MMARS).

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6. *Consultant Contract Statement of Financial Interest.* For consultant service contracts (Subsidiary HH and N01-N14) a statement of financial interest must be attached.
7. *Proper IRS/Vendor Registration.* The contractor must be registered with proper IRS form in the state accounting system.
8. *Timely Bill Payment.* Bills must be paid within the terms of the contract or, in absence of terms, within 30 days of receipt of the contractor invoice or receipt of goods or services whichever is later.
9. *Contract Employees Paid on Payroll System.* Individuals that meet IRS employee definition (IRS SS-8 Test) must be paid on the state payroll system.
10. *Required Encumbrance Certification.* All encumbrance authorizations in the state accounting system (MMARS) must include the following certification "The undersigned authorized signatory approving this document certifies that this document and any attachments are accurate and complete and comply with all applicable general and special laws and regulations".
11. Alternative contracts are acceptable for student interns

DELEGATION

Departments are expected to request transactional encumbrance and contract filing delegation for PDs, LOs, SCs, and SMs up to \$100,000 and \$5,000 for [Incidental Purchases](#). The head of the department and the Chief Fiscal Officer must sign the Delegation Transaction Certification Form to comply with all the applicable laws, regulations, policies, etc. within LEVEL III.